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Message Text

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DRAFTED BY: EB:JMDERHAM
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O 241510Z APR 75
FM SECSTATE WASHDC
TO AMEMBASSY VIENNA IMMEDIATE
AMEMBASSY BRUSSELS IMMEDIATE
AMEMBASSY COPENHAGEN IMMEDIATE
AMEMBASSY PARIS IMMEDIATE
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AMEMBASSY STOCKHOLM IMMEDIATE
AMEMBASSY BERN IMMEDIATE
AMEMBASSY ANKARA IMMEDIATE
AMEMBASSY LONDON IMMEDIATE
AMEMBASSY OTTAWA IMMEDIATE
AMEMBASSY WELLINGTON IMMEDIATE

C O N F I D E N T I A L STATE 094328

FOLLOWING SENT ACTION TEHRAN, INFO JIDDA, KUWAIT, ABU DHABI,
DOHA, BEIRUT, APRIL 24, FROM SECSTATE RPTD TO YOU:

QUOTE C O N F I D E N T I A L STATE 094328

E.O. 11652: GDS
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TAGS: ENRG, SA, US

SUBJECT: LONG-TERM OIL SUPPLY ARRANGEMENT WITH SAUDI ARABIA

1. DURING APRIL 20 TV PROGRAM FACE THE NATION, SAUDI OIL MINISTER YAMANI WAS ASKED THE QUESTION IF SAUDI ARABIA WAS INTERESTED IN A BILATERAL OIL DEAL WHEREBY THE US WOULD GET FROM SAUDI ARABIA ALL THE OIL IT NEEDS OVER A LONG PERIOD OF YEARS AT FIXED PRICES IN RETURN FOR THE US HELPING TO INDUSTRIALIZE SAUDI ARABIA, AND IF HE HAD TALKED ABOUT SUCH A DEAL IN WASHINGTON.

2. IN REPLY, YAMANI SAID HE THOUGHT SUCH A DEAL WAS POSSIBLE QUOTE BECAUSE ONE OF OUR POLICIES IS TO LINK THE LONG-TERM SALE OF CRUDE OIL TO INDUSTRIALIZING SAUDI ARABIA. I THINK YOUR COUNTRY IS THE ONLY COUNTRY WHICH HAS THIS TREMENDOUS ABILITY TO DO THIS IN SAUDI ARABIA. IF WE CAN REACH AGREEMENT, THEN YOU CAN HAVE A LONG PERIOD OF OIL SUPPLY TO THIS COUNTRY. AND I THINK WE ARE WORKING (WALKING ?) IN THIS AVENUE. END QUOTE.

3. BUT WHEN ASKED IF WE WERE CLOSE TO SUCH AN AGREEMENT, YAMANI SAID THAT SUCH AN AGREEMENT COULD NOT BE DONE OVERNIGHT. IN RESPONSE TO A QUESTION WHETHER DISCUSSION

HAD STARTED ON THIS WHEN THE SECRETARY WAS IN SAUDI ARABIA LAST FEBRUARY, YAMANI REPLIED QUOTE NO, WE NEVER DISCUSSED THIS LONG-TERM OIL SUPPLY SO FAR END QUOTE AND THEN ADDED QUOTE BUT WE ARE DISCUSSING INDUSTRIALIZATION, WHICH IS THE PREREQUISITE OF A LONG-TERM OIL SUPPLY. END QUOTE.

4. EVEN THOUGH YAMANI SAID LONG-TERM OIL SUPPLY ARRANGEMENT HAD NOT BEEN DISCUSSED WITH US, THIS EXCHANGE HAS BEEN REPORTED BY SEVERAL US PAPERS AS INDICATING THAT A US-SAUDI OIL DEAL WAS IN THE WORKS. SINCE THE SUBJECT HAS NOT BEEN RAISED DURING DEPARTMENT PRESS BRIEFING THIS WEEK, WE HAVE NOT HAD OPPORTUNITY TO DENY THAT SUBJECT WAS RAISED. WE HAVE HAD, HOWEVER, A NUMBER OF QUERIES

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FROM FOREIGN EMBASSIES ASKING IF THERE WAS ANY SUBSTANCE TO THIS REPORT. WHEN IRANIAN DEPUTY MINISTER OF ECONOMY AND FINANCE MEHRAN CALLED ON UNDER SECRETARY ROBINSON ON APRIL 23, HE SAID THAT MINISTER OF ECONOMY AND FINANCE ANSARY HAD UNDERSTOOD REPORT OF YAMANI'S REMARKS TO MEAN THAT WE HAD ENTERED INTO (OR WERE WORKING ON) AN EXCLUSIVE BILATERAL OIL SUPPLY ARRANGEMENT WITH THE SAUDIS FOR ALL OF OUR IMPORT REQUIREMENTS. WE CATEGORI-

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CALLY DENIED THIS INTERPRETATION.
5. ACCORDINGLY, AT NEXT OPPORTUNITY, YOU SHOULD REVIEW WITH GOI OFFICIALS WHAT YAMANI SAID, POINTING OUT THAT WE HAVE HAD NO DISCUSSION WITH THE SAUDIS ON AN EXCLUSIVE LONG-TERM OIL SUPPLY ARRANGEMENT AND THAT NO SUCH DISCUSSIONS ARE TAKING PLACE. THE SUBJECT WAS NOT RAISED WHEN YAMANI MET WITH THE SECRETARY IN WASHINGTON ON APRIL 18. KISSINER UNQUOTE. KISSINGER

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